

VZCZCXYZ0029

OO RUEHWEB

DE RUEHC #4580 3382007

ZNR UUUUU ZZH

O 042006Z DEC 09

FM SECSTATE WASHDC

TO AMEMBASSY CAIRO IMMEDIATE 0000

UNCLAS STATE 124580

SENSITIVE

SIPDIS

E.O. 12958: N/A

TAGS: [ECON](#) [ENRG](#) [ETRD](#) [EG](#)

SUBJECT: UNDER SECRETARY HORMATS, NOVEMBER 23, 2009

MEETING WITH EGYPTIAN MINISTER OF TRADE AND INDUSTRY

RACHID RACHID

¶1. (SBU) SUMMARY. In an hour long meeting, Under Secretary for Economic, Energy and Agricultural Affairs Robert Hormats and Egyptian Minister of Trade and Industry Rachid Rachid discussed the global economic situation and its impact on Egypt. Both agreed that it was important to ensure the strong bilateral relationship was reflected in strong business to business ties, as these gave the average citizen a stake in the relationship. Minister Rachid asked for U/S Hormats' help with QIZ expansion to Upper Egypt, and Ambassador Shoukry raised G20 participation for Egypt. U/S Hormats encouraged Rachid to engage with U.S. companies, including General Electric, on new technology and the development of wind and solar power, and possibly, finding the means to export solar power to Europe. END SUMMARY.

¶2. (U) Participants:

U.S.

Under Secretary Hormats

Colleen Hyland, Special Assistant

Katherine Allen (NEA Notetaker)

EGYPT

Minister Rachid

Ambassador Sameh Shoukry

Samiha Fawzy, Deputy Minister

Ashraf El-Rabiey, Minister Plenipotentiary

Global Macroeconomic Situation

¶3. (SBU) In discussing Egypt's continued growth, even during the global financial crisis, Minister Rachid credited major economic reforms accomplished over the last five years, which helped bring inflation under control in 2007-8 and paid off again during the recent crisis. Rachid highlighted the construction sector's continued growth of 15 percent during the crisis, and he attributed this success in part to government stimulus projects in infrastructure and in part to a new housing law that increased the ease of building especially in rural areas.

¶4. (SBU) Rachid referenced his meetings with American CEOs in New York during the prior week and noted that many were worried about spending, consumption, and job creation. U/S Hormats agreed, adding that relatively few companies were achieving robust top line revenue growth. The health of the financial services sector was improving compared to several months ago, which was a good sign. However, U/S Hormats did not expect that debt-burdened American consumers would return to previous levels of consumption in the near future.

Renewable Energy

¶5. (SBU) U/S Hormats mentioned a recent meeting with General

Electric (GE) CEO Jeff Immelt and observed that GE was very interested in solar energy projects in Egypt. Rachid pointed out that Egypt had made a commitment that by 2020, Egypt would derive 20 percent of its energy consumption from renewable sources, both wind and solar. One of the most efficient wind tunnels in the world, Rachid explained, was along the coast of the Red Sea, and Egypt was aggressively pursuing concessions from BP, Italian companies, and Egyptian companies.

¶16. (SBU) Rachid described solar as another potential source, but expressed some concern with the cost, which he said was three to four times higher than wind and four to five times higher than oil and gas. He acknowledged solar power was gaining momentum, however, and that the Europeans were enthusiastic about drawing on North African solar power. U/S Hormats encouraged Rachid on the project, noting that it was a means to decrease European dependence on Russian gas, and it could tie in with objective of the Copenhagen climate conference in December.

¶17. (SBU) Rachid expressed a strong interest in U.S. cooperation to help Egypt with new energy and environmental technologies. Due to domestic energy consumption growing at 10 percent annually, and similar trends with water, Rachid characterized efficiency and conservation as urgent needs for Egypt. He hoped to work with the U.S. to develop a longer list of projects where the two countries could cooperate.

U.S.-Egyptian Business Engagement

¶18. (SBU) U/S Hormats asked about the existing forums for bilateral discussions of energy and environmental projects. Rachid highlighted a new bilateral business council now formed with 15 members on the Egyptian side and 10-12 on the U.S. side so far. Rachid did not mention U.S.-Egyptian efforts to develop a new framework for a bilateral trade dialogue.

Qualifying Industrial Zones (QIZs)

¶19. (SBU) Rachid raised the issue of QIZs, emphasizing that the QIZ agreement had been a significant step in Egyptian-Israeli and Egyptian-U.S. relations, both politically and in terms of increasing trade volume. Egypt wanted to extend the QIZ project to Upper Egypt to attract investment and reduce unemployment, which Rachid said was 15 percent in Upper Egypt, reaching 20 percent in some areas. It would be good for the peace agreement, Rachid argued, if Egypt's bilateral relationships with Israel and the U.S. could be seen as key factors in developing the poor areas of Egypt. Rachid also pointed out that the QIZ would complement major infrastructure improvements in Upper Egypt to facilitate development, including airports, natural gas lines, river transportation, and railway expansion. Rachid asked for U/S Hormats' help with the expansion. U/S Hormats appreciated the success of the QIZs to date and promised to take a hard look at the Egyptian proposal.

¶110. (SBU) Rachid asserted that the additional zones would only add USD 100-200 million of textile exports to the U.S. over the next five years (above the current level of USD 900 million). Rachid said that the increase in Egyptian exports would not displace American jobs, but would primarily shift U.S. imports from China and Asia to the Middle East.

G20

¶111. (SBU) As Rachid and U/S Hormats moved to end the meeting, Ambassador Shoukry raised the Egyptians' request to participate in the G20 and asked for U.S. support. U/S Hormats relayed that the Secretary would soon send a letter

on the issue, and that the United States recognized Egypt's importance in Africa and the Middle East. The United States takes the request seriously, U/S Hormats said, but the issue was complex since the G20 already included more than 20 countries. U/S Hormats concluded that he saw a definite need to build the bilateral relationship for economic, political, and strategic reasons, and agreed with Rachid that it was important to develop economic ties as these gave the average citizen a stake in the relationship.

CLINTON